

Finance and Administration

5.2

Table of Contents

5.2. Finance and Administration

5.2.1. Summary Information

5.2.2. Detail Information

5.2.2.1. Budget Office Detail

5.2.2.2. Expenditure Detail

5.2.2.3. Revenue Detail

5.2.2.4. Data Processing Detail

5.2.2.5. Supply Chain Management Detail

Finance Management



Boers, Hendrikus Marthinus
Director
Finance



Gates, Sarel Johannes Francois
Deputy Director
Finance



Sithole, Vusie Samson
Assistant Director
Expenditure



Pienaar, Mattheus Johannes
Assistant Director
Supply Chain Management




















Otto, Willem Petrus
Assistant Director
Financial Systems



Magagula, Mxolisi Matthews
Assistant Director
Revenue Income

5.2.1 - Summary Information

Function: Msukaligwa Municipality
Sub: Finance and Administration

Reporting Level	Detail	Total
Overview	<p>The Finance department is the support department with regard to sustainable financial viability of the municipality. The department has the responsibility to ensure that the revenue of the municipality is received and that the expenditure does not exceed the actual realizable income from services and taxes.</p> <p style="text-align: center;">Mr. Boers, Hendrikus Marthinus Director Finance (CFO)</p>	
Description of the Activity:	<p>Administrative Functions The following management team is responsible for several functions as indicated, and accordingly forming part of the financial department.</p>	
1.	<p>Budget office:</p> <p style="text-align: center;">Mr. Gates, Sarel Johannes Francois Deputy Director Finance</p> <p>Responsible for IDP processes, budget processes and reporting, grant management and reporting, budget control, adjustment budgets and reporting, assisting other departments on budget and control procedures, monthly, quarterly and annual reporting, and control over the revenue and expenditure functions. The budget office is responsible for the monthly, quarterly and half-year reports, SDBIP reports, annual financial reports and all ledger accounts and related matters to finalise annual financial statements.</p> <p>The strategic objectives of this function are to:</p> <ul style="list-style-type: none">  Ensure sound financial services and information to the Municipality, Council and line functionaries <p>The key issues for 2007/08 are:</p> <ul style="list-style-type: none">  IDP processes  Budget processes and reporting  Grant management  Budget control  Adjustment budgets and reporting  Monthly, quarterly and annual reporting  Annual financial reports  Annual financial statements 	
2.	<p>Expenditure section:</p> <p style="text-align: center;">Mr. Sithole, Vusie Samson Assistant Director Expenditure</p> <p>Responsible for creditor payments, staff and councillors salary payments, payment of various institutions such as pension funds, medical aid and SARS, payment of VAT with reconciliations, direct and contract payments, petty cash administration, investments and register, loans register and maintenance of asset registers and insurance administration and claims management and reporting. They are also assisting with statistical information and monthly and annual reporting procedures.</p> <p>The strategic objectives of this function are to:</p> <ul style="list-style-type: none">  Ensure sound financial services and information to the Municipality, Council and line functionaries <p>The key issues for 2007/08 are:</p> <ul style="list-style-type: none">  creditor payments  staff and councilors salary payments  payment of VAT with reconciliations  direct and contract payments  petty cash administration  loans register and management of interest  investment register and management of interest 	
3.	<p>Revenue section:</p>	










Mr. Magagula, Mxolisi Matthews
Assistant Director Income

Responsible for meter readings, levies on services, services agreements and cancellations, property rates, valuation roll maintenance, accounts printing and posting, credit control and debt collection, indigent administration, revenue collection and pre-paid revenue processes at the various finance offices and pay-points. The section are also assisting with statistical information, calculation of revenue projections on all services, rates and taxes and assistance with monthly and annual financial reporting procedures.

The strategic objectives of this function are to:

-  Ensure sound financial services and information to the Municipality, Council and line functionaries

The key issues for 2007/08 are:

-  meter readings
-  levies on services
-  services agreements and cancellations
-  property rates
-  valuation roll maintenance
-  accounts printing and posting
-  credit control and debt collection
-  indigent administration
-  revenue collection

4.

Financial Systems Information Technology:










Mr. Otto, Willem Petrus
Assistant Director Information Systems

Responsible for the financial system administration, data capturing and maintenance of the various financial systems, monthly processes for billing and accounts, rates and valuation roll information, monthly processes for creditor payments, direct payments, salary payments and revenue and expenditure updating procedures, support function to the budget processes and monthly and annual financial reporting procedures.

The strategic objectives of this function are to:

-  Ensure sound financial services and information to the Municipality, Council and line functionaries

The key issues for 2007/08 are:

-  financial system administration
-  data capturing
-  maintenance of the various financial systems
-  monthly processes for billing and accounts
-  rates and valuation roll information
-  monthly processes for creditor payments
-  direct payments
-  salary payments and revenue
-  expenditure updating

5.

Supply chain management:

Mr. Pienaar, Mattheus Johannes
Assistant Director Supply Chain


Responsible for the supply chain management functions of procurement from the initial requirement up to final payment of purchases, asset and inventory management and reporting, and management of stores and fuel supply.

The strategic objectives of this function are to:

-  Ensure sound financial services and information to the Municipality, Council and line functionaries

Finance Administration Summary Information

1.	Debtor billings: number and value of monthly billings: Rates and Taxes Electricity Water Sewerage Refuse	Total Number	Total Value
			R (000s)
		23 024	35 095
		19 200	36 905
		19 768	13 970
		18 147	11 472
		19 657	10 223
2.	Debtor collections: value of amount received and interest: Rates and Taxes Electricity Water Sewerage Refuse	Total Number	Total Value
			R (000s)
			29 888
			31 785
			8 699
			7 245
			6 319
3.	Debtors Age Analysis 		




























8.	Creditors are paid within 30 days Trade creditors at 30 June 2008 to be paid in the new financial year				73	10 982
	External Loans:					
	 Total loans received and paid during the year					
	Loans payable	Opening balance R(000)	Paid / received R(000)	Closing balance R(000)	Current portion R(000)	Long term portion R(000)
	Local registered stock loans	0	0	0	0	0
	Annuity loans	2 961	-728	2 233	715	1 518
	Refer to financial statements appendix A, page 28					
9.	Delayed and Default Payments: <List delayed and default payments here>				0	
Key Performance Area	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance				Current	Target
Financial Performance	According the results from the annual financial statements and bank balances the finances of the municipality has improved, notwithstanding the increase of debtors arrears. The processes initiated such as the data clean-up project, and the appointment of debt collectors to improve debt collection, should result in even better financial stability in future. Other initiatives to eliminate expenditure on non-core functions are identified and should be implemented in the coming financial year.					
	MSUKALIGWA REVENUE & EXPENDITURE 2007/2008 BUDGET / ACTUAL					
	Expenditure	Budget	Actual	Percentage % Actual		
	1. EMPLOYEE RELATED COST	82 903 234	78 094 386	38.94%		
	2. COUNCILLORS RELATED COST	5 928 735	5 926 005	2.95%		
	3. GENERAL EXPENDITURE	33 417 348	28 587 340	14.25%		
	4. PURCHASE OF ELECTRICITY & WATER	32 780 000	35 145 409	17.52%		
	5. CONTRACTED SERVICES	15 067 537	12 339 679	6.15%		
	6. REPAIR AND MAINTENANCE	10 755 738	10 213 629	5.09%		
	7. OTHER EXPENSES (DEPRECIATION, BAD DEBTS, SUBSIDIES)	28 831 928	30 239 790	15.10%		
	TOTAL EXPENDITURE (NET)	209 684 520	200 546 238	100.00%		
	Revenue	Budget	Actual	Percentage % Actual		
	1. ASSESSMENT RATES ON PROPERTIES	28 801 815	28 239 542	13.26%		
	2. SERVICE CHARGES	91 495 936	91 499 124	42.95%		
	3. FINES & LICENSES	3 204 000	2 446 227	1.15%		
	4. INTEREST	9 623 630	10 456 233	4.91%		
	5. RENTAL	1 259 341	1 086 596	0.51%		
	6. AGENCY SERVICES	2 040 000	2 454 994	1.15%		
	7. GOVERNMENT GRANT AND SUBSIDIES	84 834 672	71 198 577	33.42%		
	8. OTHER INCOME & GAINS ON DISPOSED PPE	6 506 139	5 655 632	2.65%		
	TOTAL OPERATING INCOME	227 765 533	213 036 926	100.00%		
	LESS AMORTIZATION OF DEBTORS		-3 385 593			
	TOTAL OPERATING SURPLUS / (DEFICIT)	18 081 013	9 105 094			

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008 ACTUAL

Revenue		2008	2007
1.	Property Rates	28 239 542	27 804 968
2.	Service Charges	84 592 827	78 114 752
3.	Un-earned finance charges	3 520 704	2 826 426
4.	Government grants and subsidies	71 198 578	68 474 679
5.	Fines	533 132	838 231
6.	Interest earned - external investments	1 955 548	1 372 014
7.	Interest earned - outstanding debtors	8 500 685	8 615 920
8.	Rental of facilities and equipment	1 086 596	1 099 261
9.	Licenses and permits	1 913 095	1 478 931
10.	Income for Agency services	2 454 994	2 278 118
11.	Gains on disposal of PPE	1 064 551	932 738
12.	Other Income	4 591 082	9 752 815
Total Revenue		209 651 334	203 588 853
Expenditure		2008	2007
1.	Employee related costs	78 094 386	66 848 704
2.	Remuneration of Councilors	5 926 006	6 198 183
3.	General Expenses	28 587 341	23 410 975
4.	Interest paid	325 215	229 955
5.	Bulk purchases	35 145 410	35 276 610
6.	Contracted Services	12 339 679	10 640 505
7.	Collection costs	469 172	0
8.	Repairs and Maintenance	10 213 630	7 164 162
9.	Depreciation (Capital charges 2004)	15 654 322	15 214 730
10.	Provision for bad debts	10 147 341	8 572 545
11.	Provision for leave	607 484	2 415 000
12.	Loss on disposal of PPE	241 213	0
13.	Transfer to other reserves	2 795 040	3 141 763
Total Expenditure		200 546 239	179 113 132
SURPLUS/(DEFICIT) FOR THE YEAR		9 105 095	24 475 721














5.2.2.1 - Detail Information

Function: Msukaligwa Municipality
Sub: Finance and Administration
Sub Function: Budget Office

Reporting Level	Detail		Total	
Overview:	Includes all activities relating to budget processes and functions of the municipality including preparation of monthly reports, quarterly reports and annual reports.			
Description of the Activity:	The function of budgeting within the municipality is administered as follows and includes: <ul style="list-style-type: none"> IDP processes Budget processes and reporting Grant management Budget control Adjustment budgets and reporting Monthly, quarterly and annual reporting Annual financial reports Annual financial statements			
	These services extend to include <i>Msukaligwa Municipal region</i>, but do not take account of <i>GSDM Municipal region</i> which resides within the jurisdiction of <i>Provincial government</i>.			
Analysis of the Function:	The strategic objectives of this function are to: <ul style="list-style-type: none"> Assist the Municipal Manager to compile and monitor budgets in accordance with the MFMA Be part of the IDP processes Consolidate annual budgets in accordance with time tables approved by Council Monthly and quarterly reporting in accordance with legislation Manage grant funding and reporting Perform budget control functions Consolidate adjustment budgets when necessary Compile annual reports including annual financial statements within time schedules of legislation.			
	Budget Processes <ul style="list-style-type: none"> Provide time schedule to Council for approval for the next year budget process Participate during the IDP community participating process Compile adjustment budget to be table to Council Compile annual draft budget to be tabled to Council Compile annual budget to be approved by Council Reporting processes <ul style="list-style-type: none"> Provide annual budget to all departments Monthly reporting in terms of the MFMA Quarterly reporting in terms of the MFMA Annual Financial Statements compilation and finalisation Annual report tabled to Council The key issues for 2007/08 are: <ul style="list-style-type: none"> Budget monitoring and reporting in accordance with legislation		August October February March May July August January	September
Key Performance Area	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance		Current	Target
Budget processes, budget monitoring and reporting	Budgets were finalised and tabled in accordance with legislation. Monthly reporting has been done in accordance with the MFMA.		95%	100%
















5.2.2.2 - Detail Information

Function: Msukaligwa Municipality
Sub: Finance and Administration
Sub Function: Expenditure Office

Reporting Level	Detail	Total	
Overview:	Includes all activities relating to creditor payments, staff and councillor's salary payments, payment of various institutions such as pension funds, medical aid and SARS, payment of VAT with reconciliations, direct and contract payments, petty cash administration, investments and register, loans register and maintenance of asset registers and insurance administration and claims management and reporting		
Description of the Activity:	<p>The function of Expenditure Office within the municipality is administered as follows and includes:</p> <ul style="list-style-type: none"> Creditor payments Staff and councillors salary payments Payment of VAT with reconciliations Petty cash administration Loans register and Management of Interest Investment register and management of interest Assets managements and insurance Maintenance of asset register Insurance claims <p>The strategic objectives of this function are to:</p> <ul style="list-style-type: none"> Ensure sound financial services and information to the municipality, council and line functionaries		
Analysis of the Function:	<p>The key issues for 2007/08 are:</p> <ul style="list-style-type: none"> Availability of personnel to perform assets management functions Establishment of accurate and complete asset register based on the existing policies and accounting standards		
Key Performance Area	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance	Current	Target
Disclose Immovable assets as per applicable accounting standards/legislation	 Assets register comply with legislations	90%	100%







































5.2.2.3 - Detail Information

Function: Msukaligwa Municipality
Sub: Finance and Administration
Sub Function: Revenue Office

Reporting Level	Detail	Total	
Overview:	Responsible for meter readings, levies on services, services agreements and cancellations, property rates, valuation roll maintenance, accounts printing and posting, credit control and debt collection, indigent administration, revenue collection and pre-paid revenue processes at the various finance offices and pay-points. The section are also assisting with statistical information, calculation of revenue projections on all services, rates and taxes and assistance with monthly and annual financial reporting procedures.		
Description of the Activity:	The function of the revenue office within the municipality is administered as follows and includes: <ul style="list-style-type: none"> meter readings levies on services services agreements and cancellations property rates valuation roll maintenance accounts printing and posting credit control and debt collection indigent administration revenue collection		
Analysis of the Function:	These services extend to include <i>Msukaligwa Municipal region</i>, but do not take account of <i>GSDM Municipal region</i> which resides within the jurisdiction of <i>Provincial government</i>. The municipality has a mandate to: <ul style="list-style-type: none"> Provide sufficient ways and means and access points for revenue collection The strategic objectives of this function are to: <ul style="list-style-type: none"> Ensure sound financial services and information to the Municipality, Council and line functionaries The key issues for 2007/08 are: <ul style="list-style-type: none"> Service delivery in terms of the “Batho Phele” principle Proper credit control functions in terms of council’s policy Debt Collection Indigent Administration		
Key Performance Area	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance	Current	Target
Debt Collection	Appointed Debt Collection consultant on a contract basis	+_4%	10% of outstanding debtors
Pre-Paid	Migration to new Pre-Paid system throughout the Msukaligwa region	100%	100%































5.2.2.4 - Detail Information

Function: Msukaligwa Municipality
Sub: Finance and Administration
Sub Function: Financial Systems Information Technology

Reporting Level	Detail		Total																						
Overview:	Includes all activities relating to Financial System management, data processing and availability of financial information.																								
Description of the Activity:	The function of Financial Systems Information Technology within the municipality is administered as follows and includes: <ul style="list-style-type: none"> Administration of financial systems and processes Data capturing Data processing System and program testing System user training Generation of financial information System implementation Up and download of data																								
Analysis of the Function:	These services extend to include <i>Msukaligwa Municipal region</i>, but do not take account of <i>GSDM Municipal region</i> which resides within the jurisdiction of <i>Provincial government</i>. The municipality has a mandate to: The strategic objectives of this function are to: <ul style="list-style-type: none"> Proper manage the financial systems Process and update data daily Ensure availability of financial and information Enhance and improvement financial systems Generate and supply of up to date information System Management <table><tr><td> Run update programs for relevant data updates</td><td>Daily</td><td></td></tr><tr><td> Verify updated data</td><td>Daily</td><td></td></tr><tr><td> Generate reports and supply information</td><td>Daily</td><td></td></tr><tr><td> Capture data</td><td>Daily</td><td></td></tr><tr><td> Convert generated reports to Word format and store on a central database</td><td>Daily</td><td></td></tr><tr><td> System testing</td><td>Daily</td><td></td></tr><tr><td> Report system problems and follow up rectification</td><td>Daily</td><td></td></tr></table> The key issues for 2007/08 are: <ul style="list-style-type: none"> Availability of computer systems and updated data				 Run update programs for relevant data updates	Daily		 Verify updated data	Daily		 Generate reports and supply information	Daily		 Capture data	Daily		 Convert generated reports to Word format and store on a central database	Daily		 System testing	Daily		 Report system problems and follow up rectification	Daily	
 Run update programs for relevant data updates	Daily																								
 Verify updated data	Daily																								
 Generate reports and supply information	Daily																								
 Capture data	Daily																								
 Convert generated reports to Word format and store on a central database	Daily																								
 System testing	Daily																								
 Report system problems and follow up rectification	Daily																								
Key Performance Area	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance		Current	Target																					
System Management	<ul style="list-style-type: none"> System availability Updated data Completion of daily and monthly processes		100%	100%																					
			100%	100%																					
			100%	100%																					

5.2.2.5 - Detail Information

Function: Msukaligwa Municipality
Sub: Finance and Administration
Sub Function: Supply Chain Management

Reporting Level	Detail	Total										
Overview:	Includes all activities relating to overall procurement functions of the municipality including costs associated with orders, tenders, contract management etc.											
Description of the Activity:	The function of Supply Chain Management within the municipality is administered as follows and includes: <ul style="list-style-type: none"> Procurement of goods and services HR administration. Administer database Arrangement of contracts Order administration Contract administration											
Analysis of the Function:	These services extend to include <i>Msukaligwa Municipal region</i>, but do not take account of <i>GSDM Municipal region</i> which resides within the jurisdiction of <i>Provincial</i> government. The municipality has a mandate to: <ul style="list-style-type: none"> To procure on all needs and projects of which the municipality receive direct grants as well as from internal funds. The strategic objectives of this function are to: <ul style="list-style-type: none"> The compilation of a SCM policy which complies with all SCM legislation and regulation Reviewing of SCM policy annually Reviewing of Suppliers database annually Training of SCM practitioners annually according to MFMA competency Details of tender / procurement activities: <table><tr><td> Total number of times that tender committee met during year</td><td>28</td><td rowspan="4">Workdays</td></tr><tr><td> Total number of tenders considered</td><td>26</td></tr><tr><td> Total number of tenders approved</td><td>26</td></tr><tr><td> Average time taken from tender advertisement to award of tender</td><td>21</td></tr></table> The key issues for 2007/08 are: <ul style="list-style-type: none"> Availability of products and services not always available from local suppliers (Support LED) Details of bid adjudication committee: <ul style="list-style-type: none"> Boers, Hendrikus Marthinus Dlamini, Mphumeleli Lawrence Els, Johannes Theodorus Makhanye, Cynthia Kholiwe Bonsiwe Mkhabela, Thulani Valentine			 Total number of times that tender committee met during year	28	Workdays	 Total number of tenders considered	26	 Total number of tenders approved	26	 Average time taken from tender advertisement to award of tender	21
 Total number of times that tender committee met during year	28	Workdays										
 Total number of tenders considered	26											
 Total number of tenders approved	26											
 Average time taken from tender advertisement to award of tender	21											
Key Performance Area	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance	Current	Target									
Follow Bid Procedures as per policy	<ul style="list-style-type: none"> All tenders procured in accordance with the Supply Chain Policy and procedure, by appointed bid committees. Specification, Quotations, Valuation, Tenders, Evaluation and adjudication, Approval. Appointment. Orders. Payment	100%	100%									